

PERFORMANCE & COMPENSATION COMMITTEE OPEN SESSION

MINUTES OF MEETING

December 14, 2007

The Performance and Compensation Committee met on Friday, December 14, 2007, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 11:25 a.m. and the following members were present:

Priya Mathur, Chair Tony Oliveira Robert Carlson James Zerio representing Bill Lockyer Kurato Shimada Charles Valdes

Excused: David Gilb

AGENDA ITEM 2 – APPROVAL OF THE SEPTEMBER 7, 2007 PERFORMANCE AND COMPENSATION COMMITTEE MEETING MINUTES

The minutes were approved as presented.

AGENDA ITEM 3 – FIRST QUARTER STATUS REPORTS ON PERFORMANCE PLANS OF THE CHIEF EXECUTIVE OFFICER, CHIEF ACTUARY, CHIEF INVESTMENT OFFICER AND HIS DIRECT REPORTING STAFF

Chris O'Brien, Human Resources Division Chief, presented, as an action item the Chief Executive Officer, Chief Actuary, Chief Investment Officer, Chief Operating Investment Officer, and Senior Investment Officers. A proposed change to the leadership measure in the plans of all Senior Investment Officers, was presented for approval. Proposed changes to the plans of the Chief Operating Investment Officer, and the Senior Investment Officer, Global Equities were also presented for approval.

On **MOTION** by Mr. Valdes, **SECONDED** and **CARRIED** the Committee accepted the First Quarter Status Reports on the Performance Plans of the Chief Executive Officer, Chief Actuary, Chief Investment Officer, and His Direct Reporting Staff.

The Committee further approved the proposed changes in the Performance Plans of the Chief Operating Investment Officer and the Senior Investment Officers.

AGENDA ITEM 4 – CHANGES IN SENIOR PORTFOLIO MANAGER AND PORTFOLIO MANAGER PERFORMANCE PLANS

Ms. O'Brien presented, as an information item, the changes approved by the Chief Executive Officer and Chief Investment Officer in the plans of three Senior Portfolio Managers and three Portfolio managers.

AGENDA ITEM 5 – 2007-2008 PERFORMANCE PLANS FOR RECENTLY APPOINTED INVESTMENT MANAGERS (FIRST READING)

Ms. O'Brien presented, as an action item, the 2007-08 performance plans and duty statements for six recently appointed investment managers for first reading. A recommendation was made to amend the plan for the Senior Investment Officer, Asset Allocation/Risk Management. A further recommendation was made to amend the leadership measure for all Senior Portfolio Managers.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** the Committee approved the first reading of the 2007-08 performance plans for the recently appointed investment managers.

AGENDA ITEM 6 – IMPLEMENTATION OF AB 1317

Ms. O'Brien presented, as an action item, a two-phase recommendation for the implementation of AB 1317 which amends Government Code 20098, granting authority to the Board for setting the compensation for the General Counsel effective January 1, 2008. After discussion by the Committee, staff's phase one recommendation for an interim base salary range was amended for internal equity.

On **MOTION** by Mr. Valdes, **SECONDED** and **CARRIED** the Committee approved the amended interim base salary and performance award schedule for General Counsel.

Ms. O'Brien further proposed as phase two, reviewing compensation policy language and biennial salary survey data in 2008, and developing a civil service classification for General Counsel.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED** the Committee approved phase two as recommended.

AGENDA ITEM 7 – AMENDED 2008 COMMITTEE MEETING CALENDAR

Ms. O'Brien presented, as an action item, the amended 2008 Performance and Compensation Committee Meeting calendar.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** the Committee approved the amended 2008 Committee Meeting Calendar.

AGENDA ITEM 8 - HUMAN RESOURCES DIVISION REPORT

Chris O'Brien, Chief of Human Resources, reported on the status of the incentive compensation redesign project and proposed a Board workshop be conducted in February 2008.

AGENDA ITEM 9 - PROPOSED FEBRUARY 2008 AGENDA

The draft agenda for the February 2008 Committee meeting was reviewed and accepted.

The meeting was adjourned at 12:33 p.m.

The next Performance and Compensation Committee meeting is scheduled for February 19, 2008, in Sacramento, California.